



**GOVERNMENT-
WIDE
PURCHASE CARD
THIRD PARTY
PAYMENT
BRIEFING**

**AFSPC
CONTRACTING
CONFERENCE**

4-2-01

9-13 APRIL 2001

THIRD PARTY PAYMENT CONCEPT

- DEFINITIONS
- ADVANTAGES
- AUTHORIZATIONS
- CONTRACTUAL ARRANGEMENT
- PROCESSING AN AWARD
- CLAUSES
- 3RD PARTY PAYMENT PROCESS FLOWCHART
- AF AUDIT AGENCY ASSIST REVIEW
- INTERNAL CONTROL WEAKNESSES,
RECOMMENDATIONS & RESOLUTIONS
- AF AUDIT AGENCY OTHER CONCERNS
- ADDRESSING THE CONCERNS

3RD PARTY PAYMENT CONCEPT

- **Definitions**

- GPC – Government-wide Purchase Card
- 3rd Party Payment – Concept to use the purchase card as a payment vehicle against a BPA, IDIQ, or other contractual document
- Billing Official (BO)
 - Unit/org. assigned individual who is
 - Responsible for the unit card account(s), or
 - For the 3rd Party Payment contract to verify receipt of services
 - Approving Official (AO) – another term for a BO
- Cardholder (CH)
 - Individual in unit/org. authorized to use the card to purchase supplies/services,
 - CO uses the card as a payment vehicle against a contract
- Installation Purchase Card Program Manager (IPCPM)-person within CONS who manages the program for the installation

ADVANTAGES

- **For the Contractor**
 - paid quickly - 2-3 days after processing invoice
- **For the Customer**
 - Eliminates unliquidated outstanding obligations
 - Quarterly rebate from the bank directly into the customer's account
 - Based on \$s spent, and
 - Time period for AF to pay the bank
 - Goes direct into card account
- **For the Contracting Squadron/Government**
 - Improves competitive pool
 - Maintains a quality vendor data base
 - Eliminates paperwork to DFAS
 - Eliminates potential for missed payments with resulting interest penalties
 - Last year AF experienced \$10M in interest penalty payments

AUTHORIZATIO NS

- **FAR 13.301(c)(3) - The Government-wide purchase card may be used to make payments, when the contractor agrees to accept payment by the card.**
- **AFI 64-117, paragraph 2.1.2.1- Warranted contracting officers and other designated contracting/purchasing personnel may use GPC as a payment method up to the warrant limit of the Contracting Officer.**
- **No statutory prohibitions identified**
- **No regulatory prohibitions identified**

CONTRACTUAL ARRANGEMENT

- **Contract - between two parties:**
 - US Government
 - Vendor/contractor
- **Third Party - financial institution**
 - Vendor's/contractor's bank
 - Pays vendor immediately
 - Processes payment through card network to Gov't contractor bank (US Bank)
 - US Bank
 - Pays card network
 - Bills USAF once a month

PROCESSING AN AWARD

- **Contractual actions-same as any contract, except**
 - AF Form 4009 used as Purchase Request (PR)
 - Payment accomplished using the card
 - CO also becomes cardholder
 - Unit personnel is Billing Official
 - Contract must state that the contractor agrees to accept the GPC
- **SPS**
 - Allows for award
 - Not passed to DFAS
 - Contracting personnel get credit for award
- **Planning contractual action for next FY**
 - Usually for next FY & done up to point of award
 - AF Form 4009 processed as a planning document
 - Finance does not certify until funds available
 - Still processed in ABSS-only a planning document

REQUIRED CLAUSES

52.232-36 -

Payment by Third Party

**3rd Party Payment
Contract Process**

**Identify recurring services
for 3rd Party Payment**

**Select Approving Official
(Customer) and Cardholder (CO)**

**Customer submits Annual Planning
or Funded AF Form 4009**

Route AF 4009 through RA

RA sends funded AF 4009 to Finance

**FSO certifies AF Form 4009
and forwards to IPCMP**

RA sends planning AF 4009 to CONS

**CONS forwards to FSO, who holds for
certification when funds are available
& forwards to CONS**

**CONTINUED ON
NEXT PAGE**

CONTINUED FROM PREVIOUS PAGE

**CONS IPCPM sets up account at bank
on receipt of certified/planning AF 4009**

**Award occurs & Contract
Performance begins**

**Contractor submits invoice
to CO, copies it to AO/QA**

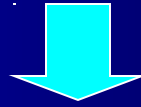
AO/QA verifies services to CO

**CO contacts IPCPM to change
limits at the bank, if required**

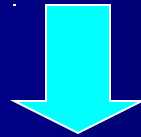
**CO authorizes payment &
Vendor charges account**

**CONTINUED ON
NEXT PAGE**

CONTINUED FROM PREVIOUS PAGE



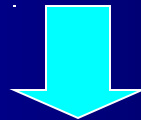
Customer receives R90 and reconciles with Card Holder Statement of Account (SOA)



Customer signs & sends R90 to FSO by 10th day of month



Customer & CO work out invoice issues with contractor or file dispute to bank within 60 days



Repeat Process Each Month from receipt of invoice.



AF AUDIT AGENCY ASSIST REVIEW

- PERFORMED AN ASSIST REVIEW PER REQUEST FROM 21 SW/CC.
- FOUND WEAKNESSES IN THE PROGRAM
- PROVIDED RECOMMENDATIONS

Internal Control Weaknesses, Recommendations & Resolutions

- **ISSUE # 1: No separation of duties (division of responsibility) when it comes to paying the vendor.**
 - Contracting officer
 - Verifies funds availability
 - Reconciles receiving report and invoice
 - Authorizes payment by telling the vendor to charge the card account number.
 - Possibility of fraud
- **AF AUDIT RECOMMENDATION**
 - Identify point at which there is oversight of payment transactions
- **RESOLUTION**
 - Second CO is required to verify ledger, receiving report and invoice prior to first CO authorizing payment

Weaknesses, Recommendations & Resolutions

- **ISSUE # 2: No set monthly limit on accounts.**
 - Card accounts established at the bank at the full value of the AF 4009.
 - No limit on number of daily/monthly transactions
 - Possibility of fraudulent action - Compromised card account could be billed for full value of contract or billed multiple times
- **AF AUDIT RECOMMENDATIONS**
 - Establish single purchase/monthly spending limits at the bank for each account; limit number of transactions.
- **RESOLUTION**
 - Single purchase/monthly limits now set
 - Number of transactions per day/month established
 - Limits may be changed if necessary by notifying the IPCPM

Internal Control Weaknesses,

Recommendations & Resolutions

- **ISSUE # 3: No verification required prior to payment**
 - Contractor permitted to bill account if not notified by CO by 10th day of the month.
- **AF AUDIT RECOMMENDATIONS**
 - Document authorization for the charge against the account.
- **RESOLUTION**
 - Language permitting contractor to charge if not notified by CO deleted from provision.
 - CO required to keep a record of authorization to charge against account.

OTHER AF AUDIT AGENCY

CONCERNS

- CO receives R90, verifies charges, sends the R90 to the AO. AO certifies R90 based on the CO's verification and sends to FSO. Process differs from normal GPC procedures.
- Need to establish clear procedures for resolution of charge account discrepancies.
- Who will track down receiving reports & invoices? Who will calculate & pay the interest penalty payment if required? Ensure Prompt Payment Act is incorporated into process

ADDRESSING THE CONCERNS

- **Concerns will be addressed as procedures and responsibilities in a separate AFI**
- **Draft AFI Status**
 - Being worked by Air Force GPC Program Office

**POC FOR 3RD PARTY
PAYMENT CONCEPT AT
PETERSON AFB**

21 CONS/LGCPI

ATTN: RICHARD F. HARRIS

700 SUFFOLK ST., BLDG.

982

PETERSON AFB, CO 80914-
1200